

## Treasury Franchise Fund

### Mission:

To offer world-class administrative solutions that provide value to federal customers while allowing them to concentrate on their core missions.

### Total Operating Level

(Dollars in Thousands)

Budget Activity	FY 2005	FY 2006	FY 2007		
	Obligated	Estimate	Estimate	Change	% Change
Consolidated / Integrated Administrative Mgt.	687,936	777,112	870,365	93,253	12%
Financial Management Administrative Support	72,558	81,675	89,843	8,168	10%
Financial Systems, Consulting & Training	11,884	12,688	13,196	508	4%
<b>Total Cost of Operations</b>	<b>\$772,377</b>	<b>\$871,475</b>	<b>\$973,404</b>	<b>\$101,929</b>	<b>11.7%</b>
<b>Total FTE Usage</b>	<b>668</b>	<b>762</b>	<b>820</b>		

### Overview

The Treasury Franchise Fund is a revolving fund that supplies financial and administrative services on a fee-for-service basis. The Fund transforms the administrative support arena in the federal government by energizing a shared services business model that can offer marketplace success through competition. The Fund is made up of four individual franchise businesses which are rolled into three budget activities outlined below. The Fund was made permanent in the Consolidated Appropriations Act, 2005 (Public Law 108-447) and is codified in 31 U.S.C. 322, note. The Fund was recognized as a Financial Management Center of Excellence in 2005, making it eligible to enter into competitions to provide cross-agency financial management services government-wide.

Through FY 2007 the Fund will maintain its commitment to excellence and will continue to meet or exceed all strategic goals and benchmarks. Additionally, the Fund should continue to see controlled growth from the Administrative Resource Center, Federal Consulting Group, and FedSource.

In FY 2005, the Fund:

- Provided 28 organizations with administrative accounting services,
- Provided 28 organizations with travel services,
- Provided 32 organizations with procurement services, and
- Provided 17 organizations with personnel services.

The Franchise Fund projects \$983,342 in revenue during FY 2007.

### Performance Highlights

Performance for each of the Fund's operating units is based on customer satisfaction and operating expenses as a percentage of revenue.

In FY 2005, the Fund met all of its performance targets. The Fund received satisfaction ratings from 81 to 96 percent for its three budget activities. The target satisfaction rate was 80 percent. The Fund's operating expenses ranged between 4 and 11 percent of its revenue. The Fund is currently streamlining and consolidating its processes and procedures to ensure lower operating costs. In FY 2005, the Franchise Fund adopted the American

## Franchise Fund Performance by Budget Activity

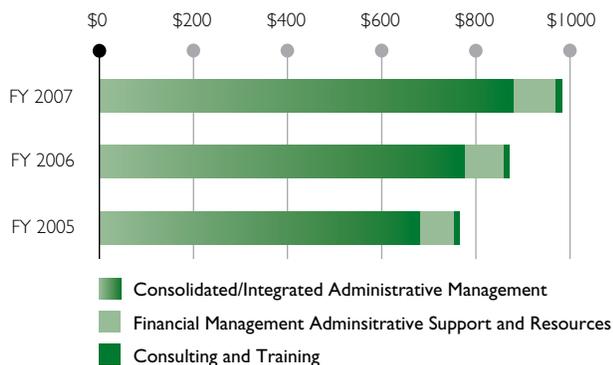
		FY 2003	FY 2004	FY 2005	Target		
Budget Activity	Performance Measure	Actual	Actual	Actual	Met?	Target	Target
Consolidated/ Integrated Administrative Management	Operating expenses as a percentage of revenue (%) (E)	n/a	4	4	✓	<=12	<=12
	Customer satisfaction approval ratings (%) (Ot)	n/a	n/a	n/a	n/a	Baseline	TBD
	Customer satisfaction approval ratings (%) (Ot)	81	87	81	✓	Discontinued	Discontinued
Financial Management Administrative Support	Operating expenses as a percentage of revenue (%) (E)	n/a	9	9	✓	<=12	<=12
	Customer satisfaction approval ratings (%) (Ot)	n/a	n/a	n/a	n/a	Baseline	TBD
	Customer satisfaction approval rating (%) (Ot)	94	85	96	✓	Discontinued	Discontinued
Financial Systems, Consulting and Training	Operating expenses as a percentage of revenue (%) (E)	n/a	14	11	✓	<=12	<=12
	Customer satisfaction approval ratings (%) (Ot)	n/a	n/a	n/a	n/a	Baseline	TBD
	Customer satisfaction approval rating (%) (Ot)	87	87	88	✓	Discontinued	Discontinued

(E) = Efficiency Measure (Oe) = Outcome Measure (Ot) = Output Measure

Customer Satisfaction Index (ACSI) as its method for evaluating customer satisfaction. As a result, the Fund's previous Customer Satisfaction measure has been suspended and replaced with the Customer Satisfaction Index.

## Franchise Fund Revenue

(Dollars in Thousands)



## Program Description

*Consolidated/Integrated Administrative Management (\$879,523 in revenue)* The Franchise Fund provides government customers with entrepreneurial

business solutions for the acquisition and financial management of common administrative services and products.

*Financial Management Administrative Support and Financial Systems (\$90,569 in revenue)* The Fund provides traditional administrative support functions with a focus on accounting, human resources, procurement and travel services. Fund is an OMB approved Center of Excellence for Financial Management.

*Consulting and Training (\$13,250 in revenue)* The purpose of the Consulting and Training Activity is to provide solutions to facilitate transformation efforts for being a more efficient, results-oriented government. Customers are provided with facilitation services, business process redesign, strategic planning, executive coaching and team building.

**Mission:**

To apply world-class business practices in manufacturing, selling, and protecting the nation's coinage and assets.

**Total Program Operating Level**

(Dollars in Thousands)

Budget Activity	FY 2005	FY 2006	FY 2007		
	Obligated	Estimate	Estimate	Change	% Change
<b>Total Cost of Operations</b>	<b>\$1,014,143</b>	<b>\$1,886,154</b>	<b>\$1,930,059</b>	<b>\$43,905</b>	<b>2.3%</b>
Manufacturing and Sales	979,159	1,849,265	1,894,045	44,780	2.4%
Protection	34,984	36,889	36,013	(876)	-2.4%
Capital Investments	19,549	32,758	31,857	(901)	-2.8%
<b>Total Cost of Operations</b>	<b>\$1,033,692</b>	<b>\$1,918,912</b>	<b>\$1,961,916</b>	<b>\$43,004</b>	<b>2.2%</b>
<b>Total FTE Usage</b>	<b>2,015</b>	<b>2,003</b>	<b>1,902</b>	<b>(101)</b>	<b>-5.0%</b>

**Overview**

The United States Mint is the world's largest coin manufacturer, with operations in California, Colorado, Kentucky, New York, Pennsylvania and Washington, D.C.

The Mint receives no appropriated funds from Congress. Since FY 1996, operations of the Mint have been financed by proceeds from the sales of circulating coins to the Federal Reserve Bank System and numismatic items to the public. This includes funding for costs associated with the production of circulating and numismatic coins and coin-related products, and protective services for both operating expenses and capital investments. Revenues in excess of costs are returned to the United States Treasury General Fund. The United States Mint remains committed to holding down costs, streamlining operations and providing value to the American people.

In FY 2005, the Mint:

- Produced 14.2 billion coins - 700 million more than FY 2004, and
- Returned \$775 million to the Treasury General Fund.

In FY 2007, the Mint plans to produce and distribute 15.7 billion coins for circulation and sell \$1.4 billion in numismatic and bullion investment products. Total resources required to support Mint operations in FY 2007 are \$1,930,059.

**Performance Highlights**

The Mint's total revenues and collections increased to \$1,770.9 million in FY 2005 from \$1,650.4 million in FY 2004. Total operating results and profits before protection costs increased to \$823.5 million in FY 2005 from \$688.1 million in FY 2004. Total margins before protection costs increased to 46.5 percent compared to 41.7 percent in the prior year despite a rise in the prices of the metals that are used in the fabrication of coins. The Mint was able to increase margins by shipping more coins, improving time to market and reducing manufacturing and selling, general and administrative costs. As a result of the improved operating results and profits, the Mint returned \$775 million to the Treasury General Fund in FY 2005, compared with \$665 million in FY 2004.

The Mint's strategic plan focuses on adding value, ensuring integrity and realizing world-class performance. To direct these efforts, the Mint identified key performance measures that cut across the entire organization. Two measures

## U.S. Mint Performance by Budget Activity

		FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	
Budget Activity	Performance Measure	Actual	Actual	Actual	Target-Met? Target	Target	
Manufacturing & Sales	Cost per 1000 Coin Equivalents (\$) (E)	9.96	7.93	7.42	✗	6.62	6.18
	Cycle Time (E)	73	85	69	✗	67	64
	Order Fulfillment (%) (Oe)	n/a	n/a	94	n/a	95	96
Protection	Protection Cost Per Square Foot (\$) (E)	n/a	32.51	32.43	✗	32	31
	Total Losses (\$) (Oe)	n/a	3,109	1,135	✓	15,000	10,000

that improved in FY 2005 are cost per 1,000 coin equivalents and cycle time. The cost per 1,000 coin equivalents decreased six percent to \$7.42 in FY 2005 from \$7.93 in FY 2004. The Mint plans to continue to reduce conversion costs for given production volumes through further implementation of lean manufacturing techniques at the manufacturing facilities and has set a cost per 1,000 equivalent target of \$6.18 in FY 2007. Cycle time improved to 69 days as of September 2005 from 85 days in September 2004. Reducing cycle time makes for a more efficient process. The Mint is currently working with the Federal Reserve Banks, the armored carrier industry, and commercial banking industry to reduce and balance coin inventories to further improve cycle time to a target of 64 days in FY 2007.

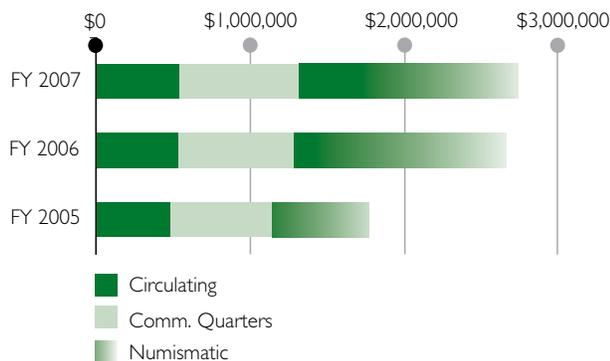
products. These products are grouped into three programs: Circulating Coinage, 50 State Quarters®, and Numismatic.

Circulating Coinage includes the penny, nickel, dime, half-dollar and dollar used to conduct trade and commerce. The focus of this program is to produce and deliver coins for circulation in a cost efficient and safe manner with state of the art manufacturing technology and equipment. The United States Mint delivers the circulating coinage to the Federal Reserve Bank System for distribution as demanded by commerce.

A significant facet of United States Mint operations is the 50 State Quarters® Program, which was launched in 1999 to commemorate and honor each of the 50 States over a ten-year period. Five new commemorative quarter-dollar coins are produced each year. Each quarter's reverse celebrates one of the 50 States with a design honoring that state's unique history, traditions, and symbols. The quarters are released in the same order that the states ratified the United States Constitution or were admitted into the Union. The planned releases for 2006 are Nevada, Nebraska, Colorado, North Dakota and South Dakota. The 2007 quarters will depict designs for Montana, Washington, Idaho, Wyoming and Utah.

## United States Mint Revenue

(Dollars in Thousands)



## Program Description

**Manufacturing and Sales (\$1,894,045,200/1556 FTE)**

The United States Mint manufactures and sells

The Numismatic program includes five types of coin products, which the United States Mint markets and sells to the public, including 1) Bullion Coins, 2) American Eagle Proof Coins, 3) Recurring Coin

Programs, 4) Commemorative Coins and 5) Medals. The program focuses on providing quality products and service, expanding markets and supporting the long-term value of numismatic products.

In 2007, the United States Mint will develop new coin designs as legislated in the Presidential \$1 Coin Act of 2005 (Public Law 109-145). This act includes new dollar coin designs featuring the presidents of the United States and accompanying First Spouse Gold coins. Also included in the legislation are Buffalo Gold Bullion coins (to be released in 2006) bearing the original designs by James Earle Fraser that appeared on the 5-cent coin "Buffalo Nickel".

The United States Mint will introduce new 24-karat gold bullion coins in 2006, which will complement the popular 22-karat gold bullion coins. Bullion coins, also known as the American Eagle Uncirculated products, are largely bought by precious metal dealers and sold to consumers who desire precious metals as part of an investment portfolio. 24-karat (99.99 percent fineness) has become the global standard for gold investment coins. The new coins will give investors a second option backed by the United States Government in the global precious metal market.

**Protection (\$36,013,300/346 FTE)** The United States Mint secures over \$100 billion in market value of the nation's gold and silver reserves. The United States Mint Police protect assets while safeguarding United States Mint employees against potential threats at United States Mint facilities across the country. The United States Mint Police respond to possible threats by ensuring good perimeter security at all sites, increasing coordination with various federal, state and local law enforcement agencies, and ensuring that proper policies are in place and procedures followed in handling the assets used to produce and transport coinage. Plans include efforts to leverage new technology to enhance security by automating entry and exit procedures at United States Mint facilities. The United States Mint will continue to pursue innovative threat assessment strategies to effectively prevent and counteract any security threats against United States Mint operations.

	FY 2005 Actual	FY 2006 Estimate	FY 2007 Estimate	Increase/ Decrease
<b>Total</b>				
<b>Circulating</b>	<b>14,037</b>	<b>15,555</b>	<b>15,671</b>	<b>116</b>
Pennies	7,224	7,734	7,767	33
Nickels	1,417	1,887	1,837	(50)
Dimes	2,669	2,831	2,872	41
Quarters	2,655	3,028	3,115	87
Other	72	75	80	5
<b>Numismatic</b>	<b>11</b>	<b>13</b>	<b>13</b>	
<b>Bullion</b>	<b>9</b>	<b>11</b>	<b>11</b>	

